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September 11, 2006

VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
455 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte Letter filed by Armstrong Utilities, Inc.; In the Matter of Comcast Corporation's Request for Waiver of 47 CFR § 76.1204(a)(1); CS Docket No. 97-80; CSR-7012-Z

Dear Ms. Dortch:

Under 47 CFR § 1.1206(b), we electronically provide a copy of an ex parte letter delivered today from Jeff Ross, President of Armstrong Cable and member of the American Cable Association to Heather Dixon, legal advisor to Chairman Kevin J. Martin, regarding the low cost DCT-700 set-top box.

If we can provide additional information, please do not hesitate to call.

Sincerely,



Emily A. Denney

cc via email:

James Casserly (jcasserly@willkie.com)
Christopher Cinnamon (cccinnamon@cm-chi.com)
Heather Dixon (heather.dixon@fcc.gov)
Donna Gregg (donna.gregg@fcc.gov)
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Natalie Roisman (Natalie.Roisman@fcc.gov)
Jeffrey Ross (jross@AGOC.com)



ARMSTRONG®

VIA E-MAIL heather.dixon@fcc.gov

September 11, 2006

Heather Dixon
Legal Advisor to Honorable
Kevin J. Martin, Chairman
Federal Communications Commission
445 12th Street, S.W., Room 8-B201
Washington, D.C. 20554

**Re: Armstrong Utilities, Inc.; Follow up to August 30, 2006 Meeting;
CS Docket No. 97-80; CSR-7012-Z**

Dear Ms. Dixon:

Thank you for meeting with us on Wednesday, August 30, 2006. Your explanation of the issues raised by the Comcast waiver request was very helpful, and we appreciated your time very much.

As I hope I communicated, the Comcast waiver request is extremely important to our company and other ACA members. A low-cost set-top like the DCT-700 is essential to expanding lower cost digital offerings as we transition to an all-digital network. We have invested over \$1.6 million in infrastructure to be able to offer our all-digital product, TV Plus. With the DCT-700 set-top, we can make this accessible to nearly all our customers. As I mentioned, we offer TV Plus for just \$2.95 more than analog expanded basic. We launched TV Plus this year, and customers are telling us they love it. The DCT-700 is the lynchpin of this offering.

At the end of our conversation you mentioned two questions regarding the waiver: 1) Is the DCT-700 truly a low cost, limited functionality device, and 2) considering all the issues, will granting the waiver advance the public interest? After reflecting on these questions, I wanted to provide some additional information from Armstrong's perspective as a small cable company.

The DCT-700 is a low-cost, limited functionality device

Cost. For us, the DCT-700 is clearly a low cost device. We pay approximately \$80 per box, and that price will decline, *if* the model line remains open. As I mentioned during our meeting, Motorola's proposed replacement, the DCH-100, will cost us nearly three times as much. Interestingly, the DCT-700 actually costs *less* than a one-way Cable Card, which today costs \$89. At this time, there is no lower cost way to provide digital programming to our customers.

ARMSTRONG UTILITIES, INC.
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Functionality. For us and our customers, the DCT-700 is simply a stripped down digital to analog converter. It only provides access to encrypted digital signals and a guide. The box is so basic it does not even include an on/off switch or display. There are limited audio and video outputs. It does not include any cable modem or home network functionality whatsoever. It is not even capable of running the more advanced OCAP guides we intend to offer in the future. The box is truly designed in a minimalist manner to keep costs to a minimum, allowing the operator to offer a digital service to consumers for the lowest possible price. I have attached for your review a comparison of the functionality between the DCT-700 and the next lowest priced device provided by Motorola both before cable card implementation and after. The DCH-100 is the device we showed you that will cost approximately \$190 and is currently Motorola's only option to replace the DCT-700 after July 1, 2009.

A Cable Card waiver for the DCT-700 will help us advance the public interest by transitioning to an all-digital network.

During our meeting, you provided a very helpful explanation of the competing public interest issues the Commission must weigh in evaluating the waiver request. In the case of the DCT-700, the Commission can readily conclude that the balance tips firmly in favor of the waiver.

Our customers like the DCT-700. First and foremost, it is consumer friendly. We and other ACA members have reported to you that consumers love the small box, the small price, and the access to digital programming. Without the DCT-700, we will be required to add \$2 - \$4 to the price of our lowest level all-digital service, just to cover increased box costs. We know this will dissuade an entire sector of especially price-sensitive consumers from embracing digital. As we see every day in our business, there is clearly demand elasticity in our markets when it comes to the pricing of cable service.

The DCT-700 will accelerate our transition to an all-digital network. In addition to providing digital cable to especially price-sensitive consumers, a low-cost set-top will accelerate digital deployment, helping us facilitate product innovation and technology growth. The public interest benefits here are strong too. With the DCT-700, we can market entry-level digital television as our base product. Although we will still offer an analog option, analog will no longer be our lead product. We intend to sell our entry-level digital product to over 70% of our new customers.

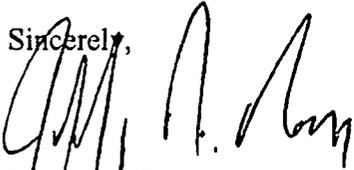
At this rate we will add over 30,000 new customers each year, elevating our digital penetration approximately 15% each year. Today our digital penetration is only 27%, largely due to prior price barriers resulting from higher cost set-top boxes. At this digital growth rate, I believe we will reach a "tipping point" where we will be able to economically transition all video customers to digital without an enormous capital barrier. With an all-digital network, we will be able to meet the bandwidth demand of higher Internet speeds and more HD programming. I believe our company could reach this "tipping point" as early as the end of 2009.

Heather Dixon
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I hope this information helps you in evaluating the waiver request. If I can be of any further assistance, please call me at 724-283-0925, ext. 330.

I appreciate your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey A. Ross". The signature is stylized and cursive.

Jeffrey A. Ross
President – Armstrong Utilities, Inc.

JAR/mag

Enclosure

cc via email: Mathew M. Polka mpolka@americancable.org
Donna Gregg donna.gregg@fcc.gov

DCT Functionality Comparison September 11, 2006

Feature	DCT 700	DCH 100	DCT 2500
Approximate Cost	\$80	\$190	\$170
Description	All Digital, Low Cost, Limited Functionality STB	All Digital, Cable Card Compliant replacement for the DCT-700	Analog/Digital Non Cable Card Compliant predecessor to the DCH-100
Video Outputs			
Composite Video	YES	YES	YES
SVHS Component Video	NO	YES	YES
RF Output	YES	YES	YES
Audio Outputs			
Left & Right Baseband Audio Outputs	YES	YES	YES
Sony/Phillips Digital Interface Format (S/PDIF) Electrical	NO	YES	YES
Sony/Phillips Digital Interface Format (S/PDIF) Optical	NO	YES	YES
Other Interfaces			
Power ON/OFF Button on Front Panel	NO	NO	YES
USB Port	NO	YES	YES
Firewire Port	NO	NO	NO
IR Blaster Output	NO	YES	YES
Front Panel Display of Channel and/or Time-of-Day	NO	NO	YES
Menu Select button on Front Panel	NO	NO	YES
Power, channel selection, and volume controls on front panel	NO	NO	YES
Embedded DOCSIS Cable Modem for DSG	NO	YES	NO
Internal Hard Drive for DVR	NO	NO	NO
Power Supply	External	External	Internal
CableCard Host Interface	NO	YES	NO
OCAP Capable	NO	YES	NO
MoCA Home Networking Interface	NO	YES	NO
Analog Tuner	NO	NO	YES